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GAMUDA TOP SECTOR PICK

'OVERWEIGHT' CALL ON CONSTRUCTION

Infrastructure spending may jump in 2026, catalysed by data centre developments

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MALAYSIA could see a significant boost in infrastructure spending in 2026, with the 2027 Budget likely serving as the final fiscal framework before the next general election cycle, according to Tradeview Capital Sdn Bhd fund manager Neoh Jia Man.

However, he cautioned that supply chain challenges, such as building material price volatility and stricter logistics enforcement, may pose risks.

"In this environment, contractors with robust balance sheets, such as Gamuda Bhd and Sunway Construction Group Bhd, or those supported by vertically integrated ecosystems, such as YTL Corp Bhd and Kerjaya Prospek Group Bhd, are better positioned to manage cost pressures and execution risks," he told *Business Times*.

Rakuten Trade Sdn Bhd vice-president of equity research Thong Pak Leng highlighted that Gamuda and Sunway Construction are expected to lead the construction sector in 2026.

He noted that these companies were the biggest winners in 2025, thanks to their scale and expertise.

Looking ahead, Thong identified potential risks for the construction market next year, including slower job completions in data centres and fewer new projects entering the pipeline, which could deplete the overall order book.

He also shared his views on other companies in the sector, noting that Kerjaya Prospek remains well-regarded, while Kimlun Corp Bhd and Inta Bina Group Bhd are also considered favourites.

Meanwhile, Neoh said data centre construction would remain the key catalyst for contract awards in 2026, supported by steady hyperscale demand and a robust project pipeline.

He noted that contractors with a strong, proven track record in this segment, particularly large-cap players such as Gamuda, Sunway Construction and IJM Corp Bhd, are well-positioned to outperform.

"Data centre clients typically prioritise reliability, technical competency, and delivery capability over pricing, giving these established players a structural advantage over smaller competitors," he said.

Reflecting on 2025, Neoh said Mitrajaya Holdings Bhd, Kerjaya Prospek and Sunway Construction were among the best-performing construction stocks in terms of share price appreciation.

He added that Mitrajaya and Sunway Construction benefited significantly from the surge in data centre construction activity, with the former emerging as a previously overlooked beneficiary of this trend.

In a separate sector update, Kenang Investment Bank Bhd (Kenanga Research) expects strong contract flows in the construction sector over the next three months.

Kenanga Research said this is supported by a robust pipeline of data centre rollouts and upcoming public infrastructure projects.

"Year-to-date to end-August, a total of RM126.7 billion worth of main contractor contracts have been awarded, putting the sector on track to meet Kenanga Research's full-year 2025 estimate of RM180 billion."

It also expects at least three more data centre tender results before year-end.

Nationwide, further public project rollouts are anticipated following the tabling of the 2026 Budget in October.

Kenanga Research maintained its "overweight" call on the construction sector, with Gamuda as its top pick, noting that large-cap names typically outperform during sector upcycles.